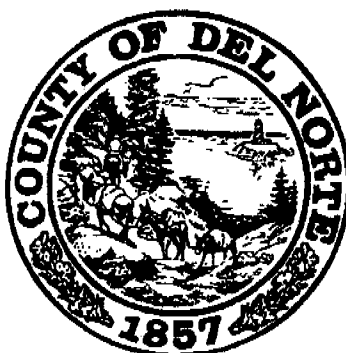


**COUNTY OF DEL NORTE,
CALIFORNIA**



**SINGLE AUDIT ACT
REPORTS AND SCHEDULES
FOR THE YEAR ENDED
JUNE 30, 2008**

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COUNTY OF DEL NORTE, CALIFORNIA
SINGLE AUDIT ACT
FOR THE YEAR ENDED JUNE 30, 2008

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Supervisors and Grand Jury
County of Del Norte
Crescent City, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Del Norte, California (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as item numbers 08-FS-01, 08-FS-02, 08-FS-03, 08-FS-04, 08-FS-05, and 08-FS-06.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-FS-02 and 08-FS-06 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain other matters that we reported to management of the County in a separate report dated April 29, 2009.

To the Board of Supervisors and Grand Jury
County of Del Norte
Crescent City, California

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, and Federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in cursive script, appearing to read "Smith & Newell", written in dark ink.

Smith & Newell, CPAs
Yuba City, California
April 29, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Supervisors and Grand Jury
County of Del Norte
Crescent City, California

Compliance

We have audited the compliance of County of Del Norte, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 08-SA-01.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

To the Board of Supervisors and Grand Jury
County of Del Norte
Crescent City, California

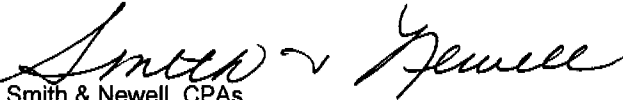
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Del Norte, California, as of and for the year ended June 30, 2008, and have issued our report thereon dated April 29, 2009. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and Grand Jury, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.



Smith & Newell, CPAs
Yuba City, California
April 29, 2009

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Disbursements/ Expenditures</u>
<u>U.S. Department of Agriculture</u>			
Passed through State Department of Social Services:			
Food Stamps	10.551	-	\$ 5,180,964
State Administrative Matching Grants for Food Stamp Program	10.561	-	368,101
School Breakfast Program	10.553	-	24,789
National School Lunch Program	10.555	-	38,319
Passed through State Controller's Office:			
Schools and Roads - Grants to States	10.665	-	1,482,831
Total U.S. Department of Agriculture			7,095,004
<u>U.S. Department of Commerce</u>			
Direct Program:			
Meteorologic and Hydrologic Modernization Development	11.467	-	8,191
Total U.S. Department of Commerce			8,191
<u>Department of Housing and Urban Development</u>			
Passed through State Department of Housing and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	05-STBG-1623	239,330
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	06-STBG-2583	352,201
Subtotal 14.228			591,531
HOME Investment Partnerships Program	14.239	06-HOME-2346	57,171
HOME Investment Partnerships Program	14.239	07-HOME-3067	15,000
Subtotal 14.239			72,171
Total Department of Housing and Urban Development			663,702
<u>U.S. Department of the Interior</u>			
Direct Program:			
Payments in Lieu of Taxes	15.226	-	93,036
Total U.S. Department of the Interior			93,036
<u>U.S. Department of Justice</u>			
Passed through State Office of Emergency Services			
Crime Victim Assistance	16.575	AT06030080	16,820
Crime Victim Assistance	16.575	AT07040080	70,783
Subtotal 16.575			87,603
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	DC07180080	113,181
Total U.S. Department of Justice			200,784

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Program/Pass Through Program Title	CFDA Number	Federal Pass-Through Grantor Number	Disbursements/ Expenditures
<u>U.S. Department of Transportation</u>			
Passed through State Department of Transportation:			
Airport Improvement Program	20.106	AIP3-06-0057-15	103,111
Airport Improvement Program	20.106	AIP3-06-0057-16	378,578
Airport Improvement Program	20.106	AIP3-06-0057-17	633,634
Subtotal 20.106			1,115,323
Passed through State Department of Transportation (Continued):			
Highway Planning and Construction	20.205	STPLH-5901(024)	185,450
Highway Planning and Construction	20.205	RPSTPL-5901(020)	22,940
Subtotal 20.205			208,390
Total U.S. Department of Transportation			1,323,713
<u>U.S. Department of Health and Human Services</u>			
Passed through State Department of Social Services:			
Promoting Safe and Stable Families	93.556	-	23,995
Temporary Assistance for Needy Families	93.558	-	6,073,167
Child Support Enforcement	93.563	-	1,295,455
Child Welfare Services - State Grants	93.645	-	44,786
Foster Care - Title IV-E	93.658	-	1,442,002
Adoption Assistance	93.659	-	824,795
Social Services Block Grant	93.667	-	79,846
Chafee Foster Care Independence Program	93.674	-	33,602
Passed through State Department of Health Services:			
State Children's Insurance Program	93.767	CCS	36,709
Maternal and Child Health Services Block Grant to the States	93.994	MCH	63,423
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	-	172,758
Medical Assistance Program	93.778	Medi-Cal Outreach	6,976
Medical Assistance Program	93.778	CHDP	61,796
Subtotal 93.778			68,772
Passed through State Department of Community Services and Development			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	183,623
Bioterrorism Training and Curriculum Development Program	93.996	-	5,913
Passed through State Department of Mental Health Services:			
Block Grants for Community Mental Health Services	93.958	SAMSHA	123,244
Passed through State Department of Alcohol and Drug Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	SAPT	362,654
Total U.S. Department of Health and Human Services			10,834,744

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>Federal Program/Pass Through Program Title</u>	<u>CFDA Number</u>	<u>Federal Pass-Through Grantor Number</u>	<u>Disbursements/ Expenditures</u>
<u>Department of Homeland Security</u>			
Passed through State Department of Emergency Services:			
Emergency Management Performance Grants	97.042	2007-EM-E7-006	10,770
Emergency Management Performance Grants	97.042	2008-9	<u>32,309</u>
Subtotal 97.042			<u>43,079</u>
State Homeland Security Program (SHSP)	97.073	06 HSGP	60,695
State Homeland Security Program (SHSP)	97.073	07 HSGP	<u>8,924</u>
Subtotal 97.073			<u>69,619</u>
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	06 HSGP	70,679
Law Enforcement Terrorism Prevention Program (LETPP)	97.074	07 HSGP	<u>7,748</u>
Subtotal 97.074			<u>78,427</u>
Total Department of Homeland Security			<u>191,125</u>
Total			<u><u>\$ 20,410,299</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards

COUNTY OF DEL NORTE, CALIFORNIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

1. REPORTING ENTITY

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of Del Norte. The County of Del Norte reporting entity is defined in Note 1 to the County's basic financial statements. All federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County and is presented on accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

3. RELATIONSHIP TO FINANCIAL STATEMENTS

The amounts reported in the accompanying Schedule of Expenditures of Federal Awards agree, in all material respects, to amounts reported within the County's financial statements, federal award revenues are reported principally in the County's financial statements as inter governmental revenue in the General and Special Revenue Funds.

4. PROGRAM CLUSTERS

Federal programs, which must be audited together as a program cluster, include the following:

<u>Federal CFDA</u>	<u>Program Title</u>	<u>Federal Expenditures</u>
<u>Food Stamp Cluster</u>		
10.551	Food Stamps	\$ 5,180,964
10.561	State Administrative Matching Grants for Food Stamp Program	<u>368,101</u>
	Total	<u>\$ 5,549,065</u>
<u>Child Nutrition Cluster</u>		
10.553	School Breakfast Program	\$ 24,789
10.555	National School Lunch Program	<u>38,319</u>
	Total	<u>\$ 63,108</u>

5. PASS -THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the County determined that no identifying number is assigned for the program or the County was unable to obtain an identifying number from the pass-through entity.

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Status

- | | |
|--|-------------|
| 1. Type of auditor's report issued | Unqualified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditor's report issued on compliance for major programs: | |
| All major programs | Unqualified |
| 3. Any audit findings disclosed including those that are required to be reported in accordance with OMB Circular A-133 Section 510(a)? | Yes |
| 4. Identification of major programs: | |
| 10.665 Schools and Roads - Grants to States | |
| 20.106 Airport Improvement Program | |
| 93.558 Temporary Assistance for Needy Families | |
| 93.658 Foster Care - Title IV-E | |
| 93.659 Adoption Assistance | |
| 5. Dollar threshold used to distinguish between Type A and Type B programs? | \$612,309 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No |

II. FINANCIAL STATEMENT FINDINGS

- | | |
|---|----------|
| Financial Reporting: Significant Deficiency | 08-FS-01 |
| Financial Reporting: Material Weakness | 08-FS-02 |
| Financial Reporting: Significant Deficiency | 08-FS-03 |
| Financial Reporting: Significant Deficiency | 08-FS-04 |
| Financial Reporting: Significant Deficiency | 08-FS-05 |
| Financial Reporting: Material Weakness | 08-FS-06 |

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- | | |
|-------------|----------|
| CFDA 93.659 | 08-SA-01 |
|-------------|----------|

**COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008**

08-FS-01 STATEMENT ON AUDITING STANDARDS NO. 112 (Financial Reporting: Significant Deficiency)

Condition

Currently, the County relies on the external auditors to ensure its financial statements are in accordance with generally accepted accounting principles (GAAP).

Cause

Prior to issuance of SAS 112, the County was able to rely on the external auditors to assist with recording certain financial transactions and with preparation of the financial statements and related notes without being subject to control deficiencies.

Criteria

In May 2006, a new auditing standard, Statement on Auditing Standard No. 112, Communicating Internal Control Related Matters Identified in an Audit (SAS 112), was issued. The standard provides guidance in that if an entity is unable to draft its own financial statements, there may be a material weakness or significant deficiency. External auditors cannot be part of the County's internal controls, including controls over the preparation of the financial statements, and are prohibited from auditing their own work as doing so impairs their independence.

The County should have the capacity to prepare full disclosure financial statements in accordance with generally accepted accounting principles. To carry out this responsibility, the County must have proper internal controls over financial reporting in place. Proper internal controls over financial reporting include, but are not limited to, internal controls that identify misstatements in the financial records, retaining staff competent in financial reporting and related oversight roles, and adequate design of internal control over the preparation of the financial statements.

Effect of Condition

The risk of misstatement in the financial statements increases when management is not able to apply GAAP in recording the entity's financial transactions or preparing its financial statements, including the related notes. Also, by relying on the external auditors to assist with recording certain financial transactions and to ensure its financial statements are in accordance with GAAP, the County is considering the external auditors a part of its internal controls over the preparation of the financial statements.

Recommendation

The County may consider the following possible actions:

1. Provide training opportunities for its accounting staff that would enable them to become more familiar with generally accepted accounting principles as well as general disclosure requirements. This training should include, but is not limited to, the usage of a disclosure checklist, which provides guidance to the financial statement's content and whether a necessary disclosure has been overlooked.
2. Hire an external accountant to consult with for proper transaction recording for unusual transactions and to confirm that the financial statements and related disclosures are in accordance with GAAP.
3. Take no action. The County may find that the costs outweigh the benefits to adhere to this standard. No action will continue to result in a significant deficiency in the County's internal controls.

Corrective Action Plan

The County is considering implementing recommendation number 1 if that is financially feasible.

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-FS-02 RECONCILIATION OF AUDITOR'S CASH BALANCE TO TREASURER'S CASH BALANCE
(Financial Reporting: Material Weakness)

Condition

At the time of our fieldwork, we noted that a \$225,735 reconciling item was omitted from the reconciliation, and that cash per the County general ledger had been understated by that amount for the entire year.

Cause

Auditor's cash balance is not reconciled to the Treasurer's cash balance on a regular basis and there is no review of the reconciliation process.

Criteria

Good internal control over cash requires that a reconciliation between the Treasurer's cash and the County's general ledger be completed in a timely manner and that all differences be resolved. In addition, good internal control requires that there be cross training and review of significant accounting functions.

Effect of Condition

The risk of errors or irregularities occurring and not being resolved in a timely manner is increased when the cash reconciliation is not completed in a timely manner and when there is no cross training or review procedures in place.

Recommendation

We recommend that all differences in the cash reconciliation be resolved in a timely manner. In addition, we recommend that procedures be put in place to provide cross training for the cash reconciliation process as well as procedures for an adequate review process.

Corrective Action Plan

The \$225,735 was included in the monthly cash reconciliation spreadsheet, however when the printout was given to external auditors rows 1 & 2 were not printed. This amount was shown as a separate item on reconciliation because it was part of a prior year audit adjustment that reduced the cash amount in Solid Waste fund but without an offsetting entry to another fund.

08-FS-03 ADJUSTING JOURNAL ENTRIES (Financial Reporting: Significant Deficiency)

Condition

During our audit we noted the trial balance as presented to us for audit contained unadjusted balances or balances which contained material misstatements and required adjustments.

Cause

The County may be leaving too many adjustments for year end. Too many adjustments left until year end can result in incorrect balances and late availability of accurate accounting records.

Criteria

Good internal control requires that all account balances be correctly adjusted and that all adjustments be recorded in a timely manner.

**COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008**

08-FS-03 ADJUSTING JOURNAL ENTRIES (Financial Reporting: Significant Deficiency) (CONTINUED)

Effect of Condition

There were material misstatements in the accounting records presented to us for audit.

Recommendation

We recommend that all accounts be reviewed for accuracy and adjusted in a timely manner.

Corrective Action Plan

The County provided external auditors with copies of any additional journal entries and/or transfers that were done after the trial balances were provided to them.

08-FS-04 LACK OF TIMELINESS IN FINANCIAL REPORTING (Financial Reporting: Significant Deficiency)

Condition

The financial records were not ready for audit in a timely manner and prior year financial records have also not been ready for audit in a timely manner. The annual audit cannot be scheduled until the financial records are available, and consequently, the annual audit cannot be completed in a timely manner.

Cause

The County has not completed the year end accounting process in a timely manner to enable the audit fieldwork to be scheduled so that the reports can be submitted within the required time frames.

Criteria

Good internal control requires that year end accounting processes be completed in a timely manner so that the audit can be completed in a timely manner. OMB Circular A-133 section .320 requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period.

Effect of Condition

The County has not complied with OMB Circular A-133 section .320.

Recommendation

We recommend that the County evaluate reasons for the failure to provide complete and accurate financial records in a timely manner.

Corrective Action Plan

The County agrees with this recommendation. However, due to being short one employee and having the auditor out for a couple months due to surgery, things did not get done timely.

08-FS-05 ASSESSMENTS RECEIVABLE (Financial Reporting: Significant Deficiency)

Condition

We noted that assessments receivable of \$2,978,846 in CSA #1 were misstated and had not been reconciled or adjusted to actual at June 30, 2008.

COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008

08-FS-05 ASSESSMENTS RECEIVABLE (Financial Reporting: Significant Deficiency) (CONTINUED)

Cause

Assessment balances were not being reconciled to the amortization schedules.

Criteria

To facilitate good internal accounting control, all assessments receivable and other receivables should be reconciled to supporting documentation on a monthly basis.

Effect of Condition

Improper accounting procedures result in the possibility of errors and irregularities occurring and not being detected in a timely manner.

Recommendation

We recommend that assessments receivable be reconciled to the supporting documentation on a regular basis and any adjustments be made in a timely manner.

Corrective Action Plan

The County agrees with this recommendation and the Community Development Department and Auditor's office is working with the Information Technology department to implement a program to reconcile the assessment's receivable.

08-FS-06 ACCRUED SALARIES (Financial Reporting: Material Weakness)

Condition

The County did not record the accrued payroll liability at June 30, 2008. This resulted in an understatement of liabilities on the balance sheet and an understatement of salaries and benefits on the statement of activities.

Cause

The County has historically recorded twenty-six pay periods on its general ledger rather than recording the actual payroll expense for the year including the accrued liability which is due at June 30 but not paid until July of the next year.

Criteria

Generally Accepted Accounting Principles require modified accrual accounting for governmental funds and full accrual accounting for proprietary funds.

Effect of Condition

The County financial statements presented 26 pay periods instead of the actual payroll expense for the year and did not accurately including the accrued payroll liability at June 30, 2008.

Recommendation

We recommend that the County record the accrued payroll liability as of June 30, of each year.

Corrective Action Plan

The County will look into this recommendation and will evaluate the impact of recording and/or not recording the liability.

**COUNTY OF DEL NORTE, CALIFORNIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30 2008**

08-SA-01

Name:	ADOPTION ASSISTANCE
CFDA #:	93.659
Federal Grantor:	U.S. Department of Health and Human Services
Pass Through Entity:	State Department of Social Services
Award No.:	N/A
Year:	June 30, 2008

Condition

Title 22 California Code of Regulations Section 35331(a) requires that the determination of the child's eligibility for adoption assistance be documented in the case record on the Eligibility Certification - Adoption Assistance Program form (the AAP-4). The County does document eligibility on the AAP-4 by the completion of the form, which is signed by the "Authorized Official of Public Adoption Agency". However, a second signature is required on the AAP-4. The "Authorized Official of County Welfare Department" must sign the AAP-4 and check the appropriate box, which indicates FFP eligibility or non-eligibility.

On nine of twenty-five cases tested, the AAP-4's were completed and signed by the "Authorized Official of Public Adoption Agency" but the AAP-4's were not signed by the "Authorized Official of County Welfare Department," which is the County eligibility staff. We also noted that four of the case files did not have the AAP-4.

Perspective

Appropriate training or review procedures concerning required forms completion was inadequate.

Criteria

The County is not in compliance with Title 22 California Code of Regulations Section 35331(a).

Effect of Condition

When the AAP-4 is not signed by the Authorized Official of County Welfare Department and/or the federal eligibility or non-eligibility box is not marked, the likelihood of errors in eligibility determination increase.

Questioned Costs

No costs are questioned. All seven cases were eligible for federal Adoption Assistance. The problem was that their eligibility was not properly documented, as required, on the AAP-4.

Recommendation

We recommend that the County require that the AAP-4's be signed by the "Authorized Official of County Welfare Department" (County eligibility staff) and that this person check the appropriate box showing determination of FFP eligibility on the bottom of this form. We also recommend that the County incorporate into their review process procedures to ensure that the AAP-4's are properly completed and executed.

Corrective Action Plan

The County agrees with this recommendation. The four cases are now in compliance after contacting the State Adoptions Bureau. Employees have also had additional training on the proper procedure for completing the forms.

COUNTY OF DEL NORTE, CALIFORNIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30 2008

Audit Reference

Status of Prior Year Audit Findings

No prior year audit findings.

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